

STATE COUNCIL ON DEVELOPMENTAL DISABILITIES
2012-13 GOVERNOR'S BUDGET HIGHLIGHTS
January 9, 2012

On January 5, 2012 Governor Jerry Brown released his proposed 2012-13 budget, addressing a \$9.2 billion projected shortfall for the remainder of 2011-12 and the upcoming 2012-13 fiscal years. The Governor proposed \$10.3 billion in “solutions” to close the gap and provided for a \$1.1 billion budget reserve. The gap represents a \$4.1 billion shortfall in 2011-12 and a \$5.1 billion projected shortfall in 2012-13. The budget assumes that voters approve a measure that would be placed on the November 2012 ballot that would raise \$6.9 billion in 2011-12 and 2012-13. The budget also includes \$5.4 billion additional cuts that would be triggered if voters fail to approve the proposed tax measure. Those additional cuts would be:

- \$4.8 billion from public schools and community colleges;
- \$200.0 million from the University of California;
- \$200.0 million from the California State University;
- \$125.0 million from the courts, a reduction “equivalent to court closures of three days per month”;
- \$15.0 million from the Department of Forestry and Fire Protection, resulting in a reduction to the emergency air response program and the closure of fire stations;
- \$6.6 million from flood control programs, resulting in reduced channel and levee maintenance and floodplain mapping;
- \$5.5 million by reducing funding for Department of Fish and Game wardens and state park rangers and eliminating funding for lifeguards at state beaches; and
- \$1.0 million from the Department of Justice’s law enforcement programs.

The budget includes cuts to health and human services programs, as well as student aid and child care. Health and human services and child care programs would be targeted for \$2.5 billion in spending reductions. The budget also includes \$301.7 million of cuts to the Cal Grant Program, which provides financial aid to lower-income students pursuing post-secondary education.¹

Specific budget proposals include:

¹ Leak Results in Early Budget Release: Governor Makes Deep Cuts to the Safety Net and Assumes Voters Approve November Ballot Measure, California Budget Project, January 6, 2012.

Department of Developmental Services (DDS)

Community Services Program

- Estimated caseload for served by regional centers of 256,059 reflecting an increase of 6,385 individuals or 2.6%. This caseload reflects the sunset of the Prevention Program.
- A total budget of \$4.063 billion representing an increase of \$79.2 million over 2011-12.

This includes increased funding for regional center operations and purchase of services to reflect increased caseload and expenditure data; decreased funding in regional center operations for the ICF-DD State Plan Amendment Administration Fees and day treatment and transportation costs for ICF-DD-H residents; a decrease to reflect updates expenditures in other department's budgets for Adult Day Health Centers and reductions in MediCal caps and co-payments; an increase to reflect the sunset of the 4.25% payment reduction on June 30, 2012; an increase for the Financial Management Services for Participant-Directed Services ; a decrease to reflect a technical adjustment to annualize the cost containment proposals specified in Assembly Bill 104, Chapter 37, and Statutes of 2011; an increase to reflect a fund shift from California First Five Commission to GF (Proposition 10); and a decrease to reflect trigger reductions to be achieved.²

Revenue Trigger Reduction

Stakeholders will be convened to provide input on how to achieve the required 2012-13 revenue trigger savings of \$200 million general fund in the developmental services system. Consideration will be given to the extension of all or part of the 4.25 percent payment reduction, strategies to decrease the need for admissions from the community into developmental centers, opportunities to achieve efficiencies through emerging technologies, reduced expenditures associated with recently enacted legislation and other savings proposals.³

² Regional Center Local Assistance Estimate, Department of Developmental Services, January 5, 2012.

³ 2012-13 Governor's Budget Highlights, Department of Developmental Services, January 5, 2012.

Developmental Centers

- Estimated average number of residents of 1,533 reflecting a decrease of 226 (12.8%).
- A total budget of \$559.1 million reflecting a decrease of \$18 million.

This includes a decrease for Level of Care and Non-Level of Care staffing; an increase due to state wide Control Sections that drove adjustments in retirement and health benefits rates; a decrease due to updated Quality Assurance Fees paid by developmental centers; an increase to retain 28 positions for enhanced Lanterman Closure staffing; an increase in reimbursement authority for the State Staff in the Community program; and, a decrease for miscellaneous reductions, including cell phone reductions as part of state wide efficiencies and funding changes.⁴

DEPARTMENT OF HEALTH CARE SERVICES (DHCS)

- A total budget of \$61.0 billion for the support of DHCS programs and services. Of the amount proposed, \$506.1 million is for state operations and \$60.4 billion is for local assistance.⁵

MediCal

- The budget would reduce state spending on MediCal from \$15.4 billion in 2011-12 to \$15.1 billion in 2012-13. Absent the Governor's proposals, state spending on MediCal would rise to \$15.9 billion in 2012-13.

Specifically, the budget:

- Shifts more than 1 million seniors and people with disabilities who currently qualify for both MediCal and Medicare (dual eligibles) from fee-for-service MediCal into managed care. This proposal would also broaden the scope of managed care services to include In-Home Supportive Services, other home and community-based services, and nursing home care funded by MediCal. These changes would be phased in over a three-year period beginning on January 1, 2013. This proposal – along with a related proposal to defer payments to

⁴ 2012-13 Governor's Budget Highlights, Department of Developmental Services, January 5, 2012.

⁵ 2012-13 Governor's Budget Highlights, Department of Health Care Services, January 6, 2012.

MediCal health care providers on a one-time basis to “accelerate” savings into 2012-13 and 2013-14;

- Expands managed care into rural counties that currently offer MediCal services only on a fee-for-service basis. This would be implemented in June 2012;
- Initiates a process to increase “flexibility” in MediCal in order to “be able to change benefits, services, rate methodologies, and payment policies faster than the current regulatory process allows;
- Changes the method used to determine payments for two types of clinics – federally qualified health centers and rural health clinics – reducing state;
- Reduces eligibility for the Medical Therapy Program (MTP). Currently, the program does not require families to meet an income test. Under the proposal, families would be eligible for the MTP only if their income is less than \$40,000 per year or if they also receive services through the California Children’s Services (CCS) Program and their CCS expenses exceed 20 percent of their income;
- Requires MediCal enrollees to select their health plan during an annual open enrollment period and remain in that plan for a full year. Currently, MediCal enrollees may change their plans every month;
- Shifts unexpended funds that were intended for certain public and private hospitals between 2005-06 and 2009- 10 in order to achieve one-time state and “avoid direct service reductions”;
- Continues the tax on MediCal managed care; and,
- Extends a fee imposed on hospitals through an unspecified date. ⁶

⁶ Leak Results in Early Budget Release: Governor Makes Deep Cuts to the Safety Net and Assumes Voters Approve November Ballot Measure, California Budget Project, January 6, 2012.

Reorganizations

The budget continues efforts to streamline government operations. Reorganizations impacting DHCS are:

- With the elimination of the Department of Mental Health (DMH) and the Department of Alcohol and Drug Programs (DADP), major community mental health programs and remaining non-Drug MediCal programs and associated funding will be shifted to the Department of Health Care Services (DHCS) as follows:
 - ▶ Major community mental health programs and remaining non-Drug MediCal services would be transferred to the DHCS;
 - ▶ Licensing functions would be transferred to the Department of Social Services;
 - ▶ Early Mental Health Initiative grants would be transferred to the California Department of Education;
 - ▶ The Mental Health Workforce Education and Training Program would be transferred to the Office of Statewide Health Planning and Development;
 - ▶ Mental Health Services Act (Proposition 63) training, technical assistance, and program evaluation would be transferred to the Mental Health Services Oversight and Accountability Commission; and,
 - ▶ Problem gambling services, counselor certification, and related functions would be transferred to the Department of Public Health.
- Transfer of the following medical services programs from the California Department of Public Health (CDPH) to DHCS effective July 1, 2012: (1) Every Woman Counts, (2) Prostate Cancer Treatment, and (3) Family Planning Access Care and Treatment; and,
- Elimination the Managed Risk Medical Insurance Board by July 1, 2013. The remaining programs administered by the Board will transition to the DHCS by July 1, 2013. These programs include the Access for Infants and

Mothers, the County Health Initiative Matching Fund Program, the Major Risk Medical Insurance Program (MRMIP), and the Pre-Existing Conditions Insurance Plan (PCIP) programs. The two programs that provide insurance to individuals with pre-existing conditions, MRMIP and PCIP, will be eliminated in January 2014 because these individuals will be able to purchase health insurance through the California Health Benefits Exchange as part of federal health care reform implementation.⁷

DEPARTMENT OF SOCIAL SERVICES (CDSS)

In-Home Supportive Services (IHSS)

- A total budget of \$5.447 billion, a net \$139 million decrease from 2011-12.⁸
- Elimination of “domestic and related services” (housework, shopping, and meal preparation) for approximately 254,000 IHSS with some exceptions this would affect recipients whose need for any domestic or related service is “met in common” with other household members, including children under age 18 who live with a parent.
- An across-the-board 20 percent reduction in hours of service for the IHSS Program on April 1, 2012. The “trigger cuts” in the 2011-12 budget agreement imposed this reduction on January 1, 2012. A court injunction has thus far prevented the state from reducing hours.⁹
- All individuals receiving both MediCal and Medicare benefits (dual eligibles) will be required to enroll in managed care health plans for their MediCal benefits. The IHSS program will operate as it does today during 2012-13; all authorized IHSS benefits will be included in managed care plans. No IHSS savings are estimated to result from this proposal in 2012-13.¹⁰

Supplemental Security Income/State Supplementary Program (SSI/SSP)

- A total budget of \$2.799 billion, a increase of \$62 million over 2011-12.¹¹

⁷ 2012-13 Governor’s Budget Highlights, Department of Health Care Services, January 6, 2012.

⁸ 2012-13 Governor’s Budget, January 5, 2012.

⁹ Leak Results in Early Budget Release: Governor Makes Deep Cuts to the Safety Net and Assumes Voters Approve November Ballot Measure, California Budget Project, January 6, 2012.

¹⁰ Governor’s Budget Summary 2012-13.

¹¹ 2012-13 Governor’s Budget, January 5, 2012.

California Work Opportunity and Responsibility to Kids (CalWORKs)

The budget cuts the CalWORKs Program, which provides cash assistance for 1.1 million low income children by \$946.2 million through a combination of reduced grants in “child only” cases and a restructuring CalWORKs.

Specifically, the budget:

- Cuts the average monthly cash grant from \$463 to \$392, a 15.3 percent decrease, for families in which cash assistance is provided only on behalf of the children (“child-only” families) and to move child-only families into a new program outside of CalWORKs – the Child Maintenance Program – beginning in October 2012. The budget estimates that 296,000 families will be enrolled in the new program in 2012-13;
- Divides the existing CalWORKs Program into two subprograms: CalWORKs Basic, which would provide welfare-to-work services for adults who do not have sufficient hours of unsubsidized employment to meet federal work requirements; and CalWORKs Plus, which would serve adults meeting federal work participation requirements –30 hours a week for most families; 20 hours a week for families with children younger than six – Through unsubsidized employment;
- Cuts the maximum period that CalWORKs participants can spend in welfare-to-work activities from 48 months to 24 months. CalWORKs Basic participants who do not move into unsubsidized employment that meets federal work participation requirements within 24 months would no longer receive welfare-to-work services and their grant payment would be reduced by the amount attributable to the adult. The children would shift into the Child Maintenance Program; and,
- Increases the monthly grant levels for CalWORKs Plus participants by setting the “earned income disregard” – the amount of earnings that can be excluded when calculating a participant’s monthly grant level – at the first \$200 of earned income plus 50 percent of additional income. Currently, the first \$112 plus 50 percent of any additional income is excluded. This change would translate into an average grant increase of \$44 for a family of three.¹²

¹² Leak Results in Early Budget Release: Governor Makes Deep Cuts to the Safety Net and Assumes Voters Approve November Ballot Measure, California Budget Project, January 6, 2012.

DEPARTMENT OF REHABILITATION (DOR)

Vocational Rehabilitation

- A total budget of \$400.5 million, an increase of \$6 million over 2011-12.

Independent Living Services

- A total budget of \$20.6 million, a decrease of \$86,000 over 2011-12.¹³

CALIFORNIA DEPARTMENT OF EDUCATION (CDE)

Special Education

- Reduces 2011-12 funding for special education programs by \$24.3 million to reflect increased property tax revenue allocated to school districts due to the phase out of redevelopment agencies; and,
- Increases special education funding by \$12.3 million to reflect enrollment growth.¹⁴

CALIFORNIA COMMUNITY COLLEGES (CCC)

- Increase 2012-13 apportionment payments to partially restore previously deferred funding. The budget would not increase apportionment payments unless voters approve the tax measure the Governor seeks to place on the November ballot;
- Reduce 2011-12 apportionment funding to reflect increased property tax revenue allocated to community college districts due to the elimination of redevelopment agencies; and,
- Consolidate funding for nearly all categorical programs and allow community colleges to use the funds for any purpose.¹⁵

¹³ 2012-13 Governor's Budget, January 5, 2012.

¹⁴ Governor's Budget Summary 2012-13.

¹⁵ Leak Results in Early Budget Release: Governor Makes Deep Cuts to the Safety Net and Assumes Voters Approve November Ballot Measure, California Budget Project, January 6, 2012.